

Annual report March 31, 1970

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CANADIAN SOUTH AFRICAN
GOLDFUND
LIMITED

Custodian of Securities

Guaranty Trust Company of Canada,
366 Bay Street,
Toronto 105

Bankers

The Bank of Nova Scotia, Toronto
The Royal Bank of Canada, Toronto
Samuel Montagu & Co. Ltd., London
Union Bank of Switzerland, Zurich

Auditors

Price Waterhouse & Co.

Registrar and Transfer Agent

The Canada Trust Company,
110 Yonge St.,
Toronto 210

Fund Manager

CSA Management Limited,
7 King Street East,
Toronto 210, Canada

Board of Directors

S. F. Chapman, C.A.	Senior Vice-President – Finance, Thomson Newspapers Limited
K. H. Doyle	President, Scottish & York Insurance Co. Limited
J. C. Gray	Executive Vice-President, St. Lawrence Starch Co. Ltd.
A. D. McEwen, M. Comm.	President, McEwen Securities Limited
E. J. Muir	President, Eric J. Muir & Associates Ltd.
F. V. Reddy	President, Dover Corporation (Canada) Limited
J. A. Tory, Q.C.	Partner, Messrs. Tory, Tory, DesLauriers & Binnington
W. H. Watson	President, Huron Construction Co. Limited

Officers

A. D. McEwen, M. Comm.	President
S. F. Chapman, C.A.	Vice-President
F. M. de Weerdt	Vice-President & General Manager
K. H. Doyle	Treasurer
V. S. Dolden, C.A., M. Comm.	Assistant Treasurer
J. A. Tory, Q.C.	Secretary

Investment Consultant

Robertson & Edwards Johannesburg, South Africa

Advisory Board

A. A. Cameron, D.S.O., M.C., T.D.	Partner, Geo. Henderson & Co. Member, The Stock Exchange, London
Eric Freemantle	Partner, Max Pollak & Freemantle Member, The Johannesburg Stock Exchange
H. A. Hare	Partner, Davis, Borkum, Hare & Partners Member, The Johannesburg Stock Exchange
Remy Lebel	Partner, Lebel, Laborne, Wolff & Cie, Member, The Paris Stock Exchange
J. R. Martin Smith, M.C.	Partner, Rowe & Pitman, Member, The Stock Exchange, London
K. M. Thornton	Partner, Joseph Sebag & Co., Member, The Stock Exchange, London
R. W. Williams, D.F.C.	Partner, Williams de Broe, Hill Chaplin & Co. Member, The Stock Exchange, London

President's Report to the Shareholders

During the past year, net assets of the Gold Fund increased from \$917,398 to \$1,084,311. The net asset value per share declined from \$6.09 to \$4.93 during the same period.

A comparison between March 31, 1969 and March 31, 1970 figures does not adequately portray the performance of the Gold Fund during the year. An all-time high of \$6.54 per share was established in March 1969 for shares of the Fund. Throughout the balance of 1969 the share value declined steadily, reaching a low of \$4.18 in December 1969 - a decline of over 36 per cent. At that time a gold marketing agreement between the Republic of South Africa and the International Monetary Fund was consummated, putting an effective floor on the price of gold of U.S. \$35 an ounce. This important development resulted in renewed buying interest in gold shares and gold bullion, and the share value of the Gold Fund has shown consistent improvement since that time in spite of generally deteriorating industrial share prices.

The advantage of holding shares in the Gold Fund, as opposed to a direct investment in individual gold shares or in bullion, was clearly illustrated in the performance of the Fund last year. The majority of gold mining issues, both South African and North American, experienced declines in price of 50 per cent or more from their highs in March 1969 to their lows in December 1969. When gold shares were at their peak in March, the Gold Fund had over 35 per cent of its assets invested in gold bullion. Although the price of bullion deteriorated, the drop was not nearly as severe as it was in gold share prices and the Gold Fund was therefore able to reduce the impact of the drop. The bullion holding was gradually liquidated and re-invested in shares to take advantage of substantially reduced prices. The final bullion sale was made in early October at U.S. \$39.50 an ounce.

The net effect of switching out of bullion into shares has been to increase the leverage in the Fund. The Gold Fund is now fully invested in shares and we believe that it is in an excellent position to better its former high of \$6.54 per share when bullion represented a substantial percentage of total assets. By varying the proportions of our portfolio invested in bullion and equities, the Fund should be able to continue to provide better performance for the investor than through a direct holding in either gold bullion or gold shares.

Perhaps the most important development that took place in the past year regarding gold was the new marketing agreement. Under this agreement, South Africa has agreed to sell a portion of its gold production in the free market in an orderly fashion. However, under certain circumstances it may now also sell gold to the International Monetary Fund at U.S. \$35 an ounce. It now appears that an effective floor price has been placed on the price of bullion in the free market. Indeed, since the agreement was reached in December last year, gold bullion has steadily improved in price and is now selling at approximately U.S. \$36 an ounce.

It also became increasingly evident last year that industrial demand for gold is showing consistent growth. A number of detailed studies were made of the situation and they generally indicated that industrial consumption probably now exceeds production. As world gold production appears to have stabilized at approximately 40,000,000 ounces per annum, any further increase in industrial demand will likely result in a higher price for gold bullion in the free market. Mr. Lloyd Jacobs of Consolidated Gold Field, co-author of an important study on gold consumption, estimates a free market price of U.S. \$45 by 1973 and of over U.S. \$50 an ounce after 1975.

The value of the Gold Fund as a hedge investment has been underlined to date in 1970. At time of writing the share value of the Gold Fund had increased by approximately 9 per cent from its low in December 1969. In the same period, industrial share prices have deteriorated rapidly with the Toronto Stock Exchange index having dropped approximately 10 per cent, and the Dow-Jones index, approximately 8 per cent. Favourable performance of the Gold Fund related to other mutual funds and to general stock market prices highlights the value of gold in times of economic uncertainty.

With growing industrial demand and with removal of the uncertainty regarding the marketing of gold, the Gold Fund should continue to reflect hedge characteristics to the benefit of its shareholders.

On November 1, 1969 an initial dividend of .05c was paid. Your Directors have recently declared a further dividend of .05c per share payable July 2, 1970 to shareholders of record June 26th, 1970.

A. D. McEwen,
President

Statement of Assets and Liabilities

	<u>March 31</u>	
	<u>1970</u>	<u>1969</u>
Assets		
Investments at market value:		
Gold bullion (1969 - 7,000 fine ozs. - average cost \$307,099)	\$ —	\$ 323,198
Securities (average cost 1970 - \$1,231,155; 1969 - \$551,929)	1,059,868	566,213
Cash and time deposits	93,915	137,195
Receivable for Mutual Fund share subscriptions	—	9,481
Receivable for securities sold	5,365	—
Dividends and accrued interest receivable	6,014	1,124
Income taxes recoverable	800	—
	<hr/>	<hr/>
	1,165,962	1,037,211
Liabilities		
Payable for securities purchased	80,822	119,157
Other accounts payable	—	214
	<hr/>	<hr/>
Net assets at market value	80,822	119,371
	<hr/>	<hr/>
Shareholders' Equity		
Capital stock (Notes 2 and 3):		
Mutual Fund shares of a par value of 50c each-		
Authorized - 10,000,000 shares of which		
86,488 shares have been issued and		
subsequently redeemed		
Outstanding - 219,962 shares (1969 - 150,642)	\$ 109,981	\$ 75,321
Common shares of a par value of 50c each -		
Authorized - 1,000 shares		
Issued and fully paid - 20 shares	10	10
Paid-in surplus	1,143,263	784,730
Retained income (deficit)	5,949	(4,498)
Net realized gain (loss) on investments	(2,776)	31,894
Unrealized appreciation (depreciation) on investments	(171,287)	30,383
	<hr/>	<hr/>
	\$1,085,140	\$ 917,840

Approved on behalf of the Board:

S. F. CHAPMAN, Director

A. D. McEWEN, Director

The notes to the financial statements are part of this statement.

Statement of Investments
March 31, 1970

SOUTH AFRICAN COMPANIES

Mining Finance Companies with Gold,
 Diamond and Platinum interests:

		Average cost	Market value
5,500	Charter Consolidated Limited	\$ 53,723	\$ 40,983
15,000	DeBeers Consolidated Mines Ltd.	154,626	102,579
4,000	General Mining and Finance Corp. Ltd.	95,067	73,547
3,300	Union Corporation Ltd.	82,624	92,611
6,000	West Witwatersrand Areas Ltd.	112,521	89,998

Gold Mining Companies:

5,000	Buffelsfontein Gold Mining Co. Ltd.	56,210	45,160
20,000	East Driefontein Gold Mining Co. Ltd.	85,130	65,805
30,000	Elsburg Gold Mining Co. Ltd.	42,684	35,806
30,000	Kinross Mines Ltd.	64,537	59,031
25,000	Kloof Gold Mining Co. Ltd.	126,981	116,127
8,000	President Steyn Gold Mining Co. Ltd.	30,405	30,193
6,400	Western Deep Levels	82,737	73,289
	Total South African Companies	\$ 987,245	\$ 825,129

CANADIAN MINING COMPANIES

8,800	Aunor Gold Mines Ltd.	\$ 26,385	\$ 19,800
3,500	Campbell Red Lake Mines Ltd.	86,814	72,189
1,500	Dome Mines Ltd.	83,558	96,750
20,000	Pamour Porcupine Mines Ltd.	47,153	46,000
	Total Canadian Companies	\$ 243,910	\$ 234,739
	Total investments	<u>\$1,231,155</u>	<u>\$1,059,868</u>

The notes to the financial statements are part of this statement.

Statement of Paid-in Surplus

	<u>Year ended March 31</u>	
	<u>1970</u>	<u>1969</u>
Balance at beginning of year	\$ 784,730	\$180,090
Add - Portion of proceeds on issue of Mutual Fund shares during the year	<u>722,921</u>	<u>604,640</u>
	<u>1,507,651</u>	<u>784,730</u>
Deduct - Portion of amount paid or credited to shareholders on Mutual Fund shares redeemed during the year	<u>364,388</u>	<u>—</u>
Balance at end of year	<u><u>\$1,143,263</u></u>	<u><u>\$784,730</u></u>

Statement of Income and Expenses

	<u>Year ended March 31</u>	
	<u>1970</u>	<u>1969</u>
Income:		
Dividends	\$ 43,222	\$ 2,856
Interest	<u>7,210</u>	<u>1,566</u>
	<u>50,432</u>	<u>4,422</u>
Expenses:		
Management fees	21,775	8,445
Foreign withholding taxes	6,039	370
Other expenses	<u>1,367</u>	<u>105</u>
	<u>29,181</u>	<u>8,920</u>
Net income (loss) for the year	<u><u>\$ 21,251</u></u>	<u><u>\$ (4,498)</u></u>

The notes to the financial statements are part of these statements.

Canadian South African Gold Fund Limited
Statement of Changes in Net Assets

	March 8, 1967 to March 31, 1968	Year ended March 31 1969	Year ended March 31 1970	Aggregate since incorporation
Sales of shares (Note 2):				
Mutual Fund Common	\$200,000 100	\$659,961 — 659,961	\$ 800,825 — 800,825	\$1,660,786
Retained income:				
Net income (loss)	—	(4,498)	21,251	
Less - Dividends paid or payable	—	— —	(10,804) 10,447	5,949
Appreciation (depreciation) of investments:				
Realized (Note 4)	—	31,894	(34,670)	(2,776)
Unrealized	12,965	17,418	(201,670)	(171,287)
Redemption of Mutual Fund shares (Note 3)	—	—	(407,632)	(407,632)
Increase in net assets	213,065	704,775	167,300	1,085,140
Net assets at beginning of period	—	213,065	917,840	—
Net assets at end of period	<u>\$213,065</u>	<u>\$917,840</u>	<u>\$1,085,140</u>	<u>\$1,085,140</u>
Net asset value per share at end of year		<u>6.09</u>	<u>4.93</u>	

The notes to the financial statements are part of this statement.

Notes to the Financial Statements
March 31, 1970

1. The fund was created under the Canada Corporations Act by letters patent dated March 8, 1967 and supplementary letters patent dated February 14, 1968.
2. The following shares of the Fund's capital stock were sold during the years indicated:

	<u>Year ended March 31</u>	
	<u>1970</u>	<u>1969</u>
Mutual Fund	155,808	110,642
Allocation of consideration-		
Share capital	\$ 77,904	\$ 55,321
Paid-in surplus	722,921	604,640
	<u>\$800,825</u>	<u>\$659,961</u>

3. The Mutual Fund shares are redeemable at the option of the holder in accordance with the provisions of the Fund's charter. The following Mutual Fund shares were redeemed during the years indicated:

	<u>Year ended March 31</u>	
	<u>1970</u>	<u>1969</u>
Mutual Fund shares	86,488	—
Allocation of redemption costs-		
Share capital	\$ 43,244	—
Paid-in surplus	364,388	—
	<u>\$407,632</u>	<u>—</u>

4. The following are the details of the realized gain on investments sold during the years indicated:

	<u>Year ended March 31</u>	
	<u>1970</u>	<u>1969</u>
Proceeds on sale of investments	\$1,008,799	\$ 238,460
Cost of investments at beginning of year	859,028	199,187
Cost of investments purchased during the year	1,415,596	866,407
	2,274,624	1,065,594
Cost of investments at end of year	1,231,155	859,028
Cost of investments sold during the year	1,043,469	206,566
Realized gain (loss) on sale of investments	<u>\$ (34,670)</u>	<u>\$ 31,894</u>

5. The cost of investments purchased in foreign currencies had been translated to Canadian dollars at the rate of exchange prevailing at the time of purchase. The market value of investments quoted in foreign currencies has been translated to Canadian dollars at the rate of exchange prevailing at the year end.
6. Net income per share for the year ended March 31, 1970 was 10.1 cents (1969 - loss of 8.9 cents) based on the average number of shares outstanding during the year.
7. During the year ended March 31, 1970 dividends of 5 cents per share were paid.

Auditors' Report

To the Shareholders of Canadian South African Gold Fund Limited:

We have examined the statement of assets and liabilities and the statement of investments of Canadian South African Gold Fund Limited as at March 31, 1970 and the statements of income and expenses, paid-in surplus and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, including confirmation, by correspondence with the depositaries, of the cash and securities owned at March 31, 1970.

In our opinion these financial statements present fairly the financial position of the Fund as at March 31, 1970 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Toronto, May 19, 1970.

Statistical Summary

		<u>Net Assets</u>	<u>Net Assets Per Share</u>
March	31, 1968	\$ 213,065	\$ 5.32
June	26, 1968	228,595	5.71
Sept.	30, 1968	271,582	5.52
Dec.	31, 1968	602,821	6.07
Mar.	31, 1969	917,840	6.09
June	30, 1969	1,163,172	5.27
Sept.	30, 1969	1,066,895	5.00
Dec.	31, 1969	1,163,243	4.46
Mar.	31, 1970	1,084,311	4.93

**COMPARATIVE STATEMENT
OF CHANGES IN NET ASSETS
(UNAUDITED)**

for the six months ended September 30th

	1970	1969
Net Assets — March 31st	\$1,085,140	\$ 917,840
Proceeds from the sale of Mutual Fund Shares: 1970 — 4,550; 1969 — 85,238	21,385	485,110
Unrealized appreciation (depreciation) of investments	42,829	(272,946)
Net operating profit	7,111	12,838
	<u>\$1,156,465</u>	<u>\$1,142,842</u>
Less:		
Cost of Mutual Fund Shares redeemed 1970 — 22,601: 1969 — 22,522	103,307	113,197
Dividend paid	10,139	—
Realized loss (gain) on sale of investments	45,380	(37,250)
	<u>\$ 158,826</u>	<u>\$ 75,947</u>
Net Assets at September 30th	<u>\$ 997,639</u>	<u>\$1,066,895</u>
Net Asset Value per share at end of period. Outstanding 1970 — 201,931: 1969 — 213,358	<u>\$4.94</u>	<u>\$5.00</u>

**COMPARATIVE STATEMENT
OF INCOME AND EXPENSES
(UNAUDITED)**

for the six months ended September 30th

	1970	1969
Income:		
Dividends	\$ 18,716	\$ 19,734
Interest	99	6,061
	<u>\$ 18,815</u>	<u>\$ 25,795</u>
Expense:		
Management fees	\$ 9,915	\$ 10,584
Foreign Withholding Taxes	1,463	1,340
Miscellaneous Expense	17	195
	<u>\$ 11,395</u>	<u>\$ 12,119</u>
Operating profit before income tax	\$ 7,420	\$ 13,676
Less: Income taxes	309	838
Profit after income tax	<u>\$ 7,111</u>	<u>\$ 12,838</u>

AR38

FUND MANAGER

CSA Management Limited
7 King St. East
Toronto

CUSTODIAN OF SECURITIES

Guaranty Trust Company of Canada
366 Bay St.
Toronto

BANKERS

The Bank of Nova Scotia, Toronto
The Royal Bank of Canada, Toronto
Samuel Montagu & Co. Ltd., London
Union Bank of Switzerland, Zurich

LEGAL COUNSEL

Tory, Tory, DesLauriers & Binnington

AUDITORS

Price Waterhouse & Co.

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company,
110 Yonge St.,
Toronto.



Six Month Report

For the period ended
September 30, 1970

7 King St. East, Toronto
Canada

To the Shareholders:

In the six month period ending September 30, 1970, net assets of the Gold Fund decreased from \$1,066,895 to \$997,639. On the other hand, the net asset value per share showed a slight increase to \$4.94 from \$4.93. In the twelve month period ended September 30, 1970, total net assets showed a small decline and the net asset value per share dropped approximately 1%, to \$4.94 from \$5.00.

Shareholders of the Gold Fund should be pleased with this performance. The price of gold bullion and the Financial Times index both declined by over 10% in the twelve month period. The Toronto Stock Exchange and the Dow Jones Industrial indices both declined over 6% in the same time. It is evident, therefore, that the Gold Fund fared better than certain other gold investments and somewhat better than industrial shares.

At this time, the outlook for the Gold Fund appears to be favourable. The price of newly mined gold has firm support placed under it at \$35 an ounce due to the 1969 agreement between South Africa and the International Monetary Fund. Balance of payment deficits, budgetary deficits, and inflationary pressures throughout the world continue to arouse fears of a renewed international monetary crisis. Possibly the most significant factor affecting the future price of gold is the growth in industrial demand for the metal. Recent studies prepared by Charter Consolidated and Consolidated Gold Fields point to substantially higher prices for gold brought about by steadily rising industrial consumption.

The gold mining industry appears to be on the threshold of substantial improvement. The Gold Fund offers investors an investment medium for participation in a diversified portfolio of the world's most important gold producers.

A. D. McEwen, President

INVESTMENT PORTFOLIO September 30th, 1970

Number of shares	COMMON STOCKS	Market Value	% of Net Assets
	South African Mining Finance Companies with Gold, Diamond and Platinum Interests:	(25.6%)	
20,000	DeBeers Consolidated Mines Ltd. - - - - - - - - - -	\$113,691	
3,000	General Mining & Finance Corp. Ltd. - - - - - - - - - -	65,661	
3,300	Union Corp. Ltd. - - - - - - - - - -	75,237	
		<u>\$254,589</u>	
	South African Gold Mining Companies:	(44.5%)	
14,000	Buffelsfontein Gold Mining Co. Ltd. - - - - - - - - - -	\$100,012	
40,000	East Driefontein Gold Mining Co. Ltd. - - - - - - - - - -	148,346	
30,000	Elsburg Gold Mining Co. Ltd. - - - - - - - - - -	39,214	
20,000	Kloof Gold Mining Co. Ltd. - - - - - - - - - -	106,396	
10,000	President Steyn Gold Mining Co. Ltd. - - - - - - - - - -	51,070	
		<u>\$455,038</u>	
	Total South African Companies	<u>\$699,627</u>	70.1
	Canadian Mining Companies:		
10,000	Aunor Gold Mines Ltd. - - - - - - - - - -	\$ 19,200	
4,000	Campbell Red Lake Mines Ltd. - - - - - - - - - -	93,500	
10,000	Canada Tungsten Mining Corp. Ltd. - - - - - - - - - -	20,400	
700	Dome Mines Ltd. - - - - - - - - - -	40,775	
5,000	Newconex Holdings Ltd. - - - - - - - - - -	29,750	
20,000	Pamour Porcupine Mines Ltd. - - - - - - - - - -	39,000	
	Total Canadian Companies	<u>\$242,625</u>	24.3
	TOTAL SECURITIES	<u>\$942,252</u>	94.5
	NET CASH AND RECEIVABLES	<u>\$ 55,387</u>	5.6
	NET ASSETS	<u>\$997,639</u>	100.0
	NET ASSET VALUE PER SHARE	<u>\$4.94</u>	

Share values based on closing prices on the Toronto and London Stock Exchanges.